

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

CITIES SERVICE OIL & GAS CORPORATION) CASE NO.
(ABANDONMENT OF RESIDENTIAL SERVICE)) 9510

O R D E R

Cities Service Oil and Gas Corporation ("Cities Service") produces natural gas in Kentucky, including Floyd and Pike counties, for sale to Columbia Gas Transmission Corporation ("Columbia") and Kentucky West Virginia Gas Company ("Kentucky West"). Since both companies are interstate pipelines, these sales are considered a part of interstate commerce and subject to federal regulation by the Federal Energy Regulatory Commission ("FERC").

Under KRS 278.485, residential consumers located within the vicinity of a gathering line of the type operated by Cities Service may apply for and receive gas service at an approved rate. However, KRS 278.485 is not applicable to any gathering system that sells directly to an interstate pipeline.¹ Thus, in order to lawfully sell gas to residential consumers in Kentucky under the provisions of KRS 278.485, Cities Service made application to the FERC to

¹ Public Service Commission of Kentucky v. Federal Energy Regulatory Commission, 610 F.2nd 439 (6th Cir. 1979).

obtain the release of the gas that serves its residential customers from its prior dedication to interstate commerce. Accordingly, in 1980 Cities Service obtained approval from the FERC for a release of gas supplying various residents in Pike and Floyd counties.

The gas sales now being made by Cities Service to residential customers in Kentucky, including domestic service from the Ford Motor Company Well "A" No. 11 in Pike County, are subject to the jurisdiction of this Commission as to rates and services. KRS 278.485(1) states that such "gas service shall be furnished at rates and minimum monthly charges determined by the public service commission." Furthermore, in response to a question by the Commission, the FERC stated that it ". . . regulates the facilities of interstate pipelines (A)n interstate pipeline's direct, retail sales, however, are subject to regulations by the appropriate state or local regulatory agency."²

On January 8, 1986, Cities Service sent letters to certain domestic service customers that the company intended to abandon residential service from the Ford Motor Company Well "A" No. 11. Cities Service provided no reason for this intended action in its letters to the customers. Cities Service further stated that this well was "scheduled to be plugged and abandoned around May 1, 1986."

² A copy of FERC's response, dated November 25, 1985, is attached as an appendix to this Order.

In a subsequent discussion with Cities Service, Commission staff was told that the company had to remove two thousand feet of gathering line from an area downstream of two domestic meters to allow a coal company to strip mine a boundary of coal. According to Cities, it will be cheaper to abandon the well than to replace the amount of line that was removed. Service to two residential customers will be affected.

Having considered this matter and being advised the Commission finds that:

1. The sales of natural gas by Cities Service to residential customers in Pike County are subject to the jurisdiction of this Commission pursuant to KRS 278.010(3)(b), 278.040(2), and 278.485(1) and (7).

2. Pursuant to KRS 278.060 Cities Service cannot abandon service in a situation where the Commission has original jurisdiction and the Commission deems it necessary to conduct an investigation into the reasonableness of the proposed abandonment.

3. An investigation of Cities Service's proposed abandonment of service should be initiated and a public hearing should be conducted as soon as possible.

IT IS THEREFORE ORDERED that:

1. This case be opened on the Commission's own motion to investigate the reasonableness of Cities Service's proposed abandonment of service to certain residential customers in Pike County.


2. Cities Service shall provide testimony and any other supporting information to support its decision to abandon service in this instance.

3. A public hearing will be conducted in the Commission's offices in Frankfort, Kentucky, on March 19, 1986, at 9:00 a.m., Eastern Standard Time, to assess the merits of Cities Service's proposed abandonment.

4. Cities Service shall provide a copy of this Order to each of the affected residential customers within 5 days from the receipt of this Order by the company.

Done at Frankfort, Kentucky, this 27th day of February, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary